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STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES  
Land Division  
Honolulu, Hawaii 96813

April 11, 2008

Board of Land and Natural Resources  
State of Hawaii  
Honolulu, Hawaii

PSF No.: 08HD-057

HAWAII

Approval in Principle for Acquisition of Perpetual  
Conservation Easement by the Division of Forestry and  
Wildlife, Kealahakua, South Kona, Island of Hawaii, Tax Map  
Key: (3) 8-2-012:001(por.).

APPLICANT AGENCY:

Division of Forestry and Wildlife, Department of Land and Natural  
Resources (DOFAW).

PRIVATE LANDOWNER:

KEALAKEKUA HERITAGE RANCH, LLC, with an undivided 82.859%  
interest, and HOKUKANO RANCH, INC., with an undivided 17.141%  
interest, as Fee Owner, whose business and mailing address is  
P.O. Box 2240, Kealahakua, Hawaii 96750 (collectively, "Seller").

LEGAL REFERENCE:

Sections 107-10, 171-11 and 171-30, Hawaii Revised Statutes, as  
amended.

LOCATION:

Privately-owned lands situated at Kealahakua, South Kona, Island  
of Hawaii, identified by Tax Map Key: (3) 8-2-012:001, as shown  
on the attached map labeled Exhibit A.

AREA:

9,000 acres, more or less.

ZONING:

State Land Use District: Agricultural  
County of Hawaii CZO: A-20A

CURRENT USE:

March 28, 2008

Vacant and unencumbered.

CONSIDERATION:

The purchase price will be the lower of either \$3,968,000.00 or the fair market value (fmv) as established by an appraisal conducted by an independent appraiser contracted by the State/DLNR.

PURPOSE:

The conservation easement will be used to preserve the forested areas of the parcel.

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

Pursuant to Section 343-5(a)(1), HRS, an environmental assessment (EA) is not required where State or county funds are being used for the acquisition of unimproved real property. Although the subject lands are unimproved, an EA may be required since this acquisition is for a conservation easement, not the real property itself. A determination will be required on whether the acquisition of an interest such as a conservation easement is equivalent to the acquisition of real property. Inasmuch as the Chapter 343 environmental requirements apply to Applicant's use of the lands, the Applicant shall be responsible for compliance with Chapter 343, HRS, as amended.

APPLICANT REQUIREMENTS:

Applicant shall be required to:

- 1) Pay for the appraisal cost to determine the value of the properties to be acquired;
- 2) Provide survey maps and descriptions for the privately-owned property according to State DAGS standards and at Applicant's own cost;
- 3) Obtain a title report for the privately-owned property at Applicant's own cost and subject to review and approval by the Department;
- 4) Pay for and conduct a Phase I environmental site assessment and, if this Phase I identifies the potential for hazardous materials release or the presence of hazardous materials, conduct a Phase II environmental sampling and analysis plan and perform any and all remediation, abatement and disposal as may be warranted and as satisfactory to the standards required by the Federal Environmental Protection Agency and/or the State Department of Health, all at no cost to the State and to the satisfaction of the Department.

REMARKS:

DESCRIPTION. The Kealakekua Ranch project is an approximately 9,000 acre conservation easement acquisition on an 11,570 acre property located on the western slope of Mauna Loa in the District of South Kona on the island of Hawaii. The ranch is accessed at its makai boundary at 2200 feet above sea level, one mile from Hawaii Belt Road (Highway 11), and then extends ten miles inland to its mauka boundary at 6200 feet above sea level.

The property is bounded on its north and east sides by the North/South Kona District boundary, on the south by the former McCandless ranch/Bishop Estate lease land, and Bishop Estate's Honaunau Forest Reserve, and on its west lies the town of Kealakekua. Kailua-Kona is approximately 20 miles from the property. The property contains many different forest types, including mixed open forest, closed 'ohi'a lehua rainforest, open koa forest with mamane, and open koa forest. This forest mosaic supports a wide variety of federally listed threatened and endangered plant and animal species.

The conservation easement will cover an approximately 9000 acre area on the north sector of the property. The easement will provide recreational, educational, and scientific access to the property through designated non-profit organizations. The easement would also provide protection of native koa-'ohi'a forests and the restoration of forested corridors between the Kealakekua forest core (along the north of the property) and the Bishop Estate's Honaunau Forest Reserve (to the south).

NEED FOR ACQUISITION. Due to agricultural zoning, forests in Kona are threatened by conversion to non-forest uses. Sales for development would result in drastic changes to the area's rare habitat and important watershed needs. Since its recent purchase of the property, Seller has received multiple offers to purchase for the purpose of completing the existing development entitlements. In addition to development concerns, Kona's forests are threatened by the spread of invasive non-native plants and feral ungulates, all of which increase wildfire susceptibility and decrease natural forest regeneration.

The acquisition will insure preservation of the forested areas of the property through an ongoing management plan by Kealakekua Heritage Ranch, LLC as required by the conservation easement. The management plan shall be implemented by Kealakekua Heritage Ranch, LLC with oversight by DOFAW.

FUNDING SOURCE. DOFAW has secured two grants from the Forest Legacy Program, administered by the U.S. Department of Agriculture Forest Service, totaling \$3,968,000.00. The grant funds have been appropriated for the acquisition. The Forest Legacy grants require 25% matching funds. The requirement is intended to be satisfied by a land value donation by the Seller, subject to the fair market value of the conservation easement as determined by the appraisal.

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APPLICANT REQUIREMENTS. DOFAW shall provide funding for an appraisal to be contracted by the Department, pursuant to section 171-30, HRS. As required by the terms of the Forest Legacy grant agreement, upon the Department's review and acceptance of the appraisal, the fair market value must be released to the Seller. DOFAW shall also be responsible for conducting an acceptable Phase I Environmental Site Assessment, as well as a Phase II if necessary. Seller has provided a title report for review by the Department, and will conduct a survey that will be reviewed by DAGS Survey Division.

AGENCY COMMENTS. Because this is a request for approval in principle, no agency comments were sought. Agency comments will be sought if staff proceeds with obtaining final approval from the Board of Land and Natural Resources for this acquisition.

RECOMMENDATION: That the Board:

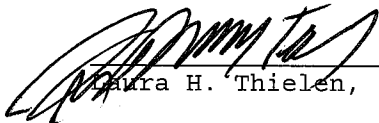
1. Approve in principle the above described acquisition of the conservation easement under the terms and conditions cited above which are by this reference incorporated herein, provided that the details of the proposed acquisition shall be submitted to the Board for final approval prior to documentation.
2. Authorize the Chairperson to prescribe other terms and conditions as may be necessary to carry out the intent of the Board and best serve the interests of the State.

Respectfully Submitted,



Ian C. Hirokawa  
Project Development Specialist

APPROVED FOR SUBMITTAL:



Laura H. Thielen, Chairperson





THIRD		DIVISION	
ZONE	SEC.	PLAT	
8	2	12	
CONTAINING PARCELS			
SCALE: AS NOTED			

PRINTED

PORTION OF KEALAKEKUA & WAIPIUMAKULA SOUTH KONA, HAWAII. (FORMERLY 8-2-01)

JAN 3 1964  
 JAN 3 1964  
 JAN 3 1964

Dwg. No.: A39  
Source: Taxation Maps Bureau  
By: J.H. & A. J. J. J.  
June 1936  
JRK 2/20/58